

1996 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE SOUTH DAKOTA ECONOMY

The importance of small business to the state of South Dakota is once again evident in the 1996 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy.

Of the **19,184** full-time business firms with employees in South Dakota, **97.4** percent are small businesses (independent businesses with fewer than 500 workers). In addition to the number of employer businesses, there were also **30,000** full-time self-employed persons in South Dakota in 1995, for a total estimated 1995 full-time business population of **49,184** firms.

Small Business Income - the income of sole proprietors and partners rose **11.2** percent to **\$1.4** billion in 1995, while wage-and-salary income rose **6.7** percent. Total personal income rose **6.4** percent to **\$13.9** billion. The state also exported **\$387.8** million of goods and services in 1995.

South Dakota's number of women-owned businesses, including part-time firms, increased **36.2** percent from 1987 to 1992, totaling **18,215**. The number of Black-owned firms, including part-time firms, increased **76.2** percent from 1987 to 1992, totaling **111** in 1992. The number of Hispanic-owned firms, including part-time businesses, rose

119.3 percent during the same time period with **239** firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaska Natives. The number for the group grew from **375** in 1987, to **555** in 1992, representing a **48.0** percent increase.

Small businesses with fewer than 20 employees reported **10.0** percent employment growth from 1991 to 1995. These numbers clearly reflect the importance of small business firms as job creators in the state of South Dakota.

The composition of small business in South Dakota is very diverse. The **Eating and Drinking Places** industry is the largest small business employer in South Dakota. Other significant small business industries are, in descending order: Health Services, Automotive Dealers and Service Stations, Wholesale Trade-Durable Goods, and Wholesale Trade-Nondurable Goods. The fast-growing industries include Amusement and Recreation Services, Engineering and Management Services, General Merchandise Stores, Heavy Construction Contractors, and Wholesale Trade-Durable Goods.

The number of new firms declined **16.6** percent. Business bankruptcies increased by **4.9** percent but business failures declined by **8.3** percent.

An SBA Office of Advocacy study found that South Dakota's top ten lenders to small businesses in 1995 were:

1. Bankwest
2. Cortrust Bank
3. American State Bank of Rapid City
4. First Western Bank of Sturgis
5. First National Bank in Garretson
6. First Fidelity Bank
7. First National Bank in Sioux Falls
8. Community First State Bank
9. First Western Bank
10. Merchants State Bank

In sum, small businesses have a striking impact on South Dakota's economy. Not only do they play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1993, the latest year available, and was prepared for the Office of Advocacy, U.S. Small Business Administration by the Bureau of the Census, U.S. Department of Commerce.

The first table lists the industries that were the top five employers in the state, without regard to the size of the firm that provided the jobs. The next to last column in the table shows the percentage of persons employed in firms with fewer than 500 employees (small businesses) in those industries.

The second table lists the industries that employ the most people in firms with fewer than 500 employees. These are the top small business employing industries in the state. The "percent of total" column provides the percentage of total employment in the state accounted for by each of the industries listed.

The third table lists--for the 1991-1993 period--the fastest growing small business industries in the state. As many as five industries are shown. If fewer than 5 industries are shown, it is because 1991-1993 was a recessionary period in which there was little national employment growth. The industries listed represent those in which small businesses sustained the economy during a period of little aggregate employment growth.

Top Five Industries in South Dakota by Employment 1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	PERCENT SMALL	RANK
Health Services	36,026	14.7	46.2	1
Eating & Drinking Places	21,189	8.6	87.6	2
Food Stores	9,864	4.0	53.0	3
Wholesale Trade-nondurable Goods	9,083	3.7	82.9	4
Depository Institutions	9,027	3.7	49.9	5
TOTAL, ALL INDUSTRIES	245,324	100.0	61.3	

Top 5 Small-Business-Dominated Industries in South Dakota by Employment, 1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	RANK
Eating & Drinking Places	18,563	12.3	1
Health Services	16,656	11.1	2
Automotive Dealers & Service Station	7,742	5.1	3
Wholesale Trade-durable Goods	7,687	5.1	4
Wholesale Trade-nondurable Goods	7,530	5.0	5
TOTAL, SMALL-BUSINESS-DOMINATED INDUSTRIES	150,332	100.0	

Fastest Growing Industries for Small Business in South Dakota, 1991 - 1993

INDUSTRY	SMALL BUSINESS EMPLOYMENT IN		PERCENT CHANGE, 1991-1993	RANK
	1991	1993		
Industrial Machinery & Equip.	2,345	3,339	42.4	1
Business Services	3,866	4,502	16.5	2
Wholesale Trade-durable Goods	6,810	7,687	12.9	3
Health Services	14,913	16,656	11.7	4
Eating & Drinking Places	16,766	18,563	10.7	5

Office of Advocacy, U.S. Small Business Administration. Based upon Census data, prepared under contract.